

INFORMATION REPORT

COUNTRY

Austria/USSR

CONFIDENTIAL

DATE DISTR.

31 March 1960

SUBJECT

Money and Raw Material Shortages in
USIA Enterprises

NO. OF PAGES 2

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THIS IS UNEVALUATED INFORMATION FOR THE RESEARCH
USE OF TRAINED INTELLIGENCE ANALYSTS

Shortages of raw materials in USIA-controlled enterprises have been reported, and current information indicates no improvement in this situation. Since the currency reform in December 1947, numerous reports have pictured USIA as short of Austrian schillings and endeavoring through any means to turn over its goods on the Austrian market. However, the practices followed by USIA are so varied, inconsistent, or even diametrically opposed, that is difficult to draw any one definite conclusion. Some of the more recent evidences of USIA problems, attempts at solution, and possible efforts to broaden control over the Austrian economy are given below in the following synthesis of information concerning money and raw material shortages in USIA and USIA enterprises.

1. It has been reported previously that loans granted to USIA firms by the Soviet Military Bank prior to the currency conversion were called due almost immediately after the conversion. Many enterprises, as a result of the three to one exchange rate, had found themselves short of cash and were unable to meet their obligations to the Military Bank. It is not known, however, what measures the Military Bank has taken or will take against debtor enterprises, except in the case of the Brucker Zuckerfabrik, which is now required to obtain permission from both the Military Bank and the Food Industry Division of USIA to move sugar from factory to purchaser.

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Comment: This indebtedness to the Military Bank is causing concern in Austrian government and business circles. They fear that the Soviets can, and doubtless will, claim a proprietary interest in the debtor firms - especially if a State Treaty is concluded - in order to strengthen their influence over segments of the Austrian economy and eventually to introduce numerous friction points rendering Austria more susceptible to Communist agitation.) [redacted] indicate that USIA plant directors have made numerous complaints stating that they are unable to pay USIA prices and are too short of cash to buy even the smallest quantities of articles necessary to their business.

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3. On 10 February 1948, Captain Ivanov of the USIA Electro-Technical Division offered the central office of Siemens-Schuckert (not under USIA control) a quantity of electric motors, 3 to 5 HP, for a total of 250,000 schillings. When the management demurred because of the high price, Ivanov intimated it was not too high a figure and that, with the proceeds from the sales of these motors, Siemens could make further purchases from USIA. Two days later, Ivanov recalled the offer, stating that USIA could sell to the Siemens central office only against compensation payments and not against cash. This proposition was flatly rejected by Siemens directors.

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4. On 20 February 1948, it was reported that, for the time being, manufacturing and selling activities in the Soviet-controlled Siemensstrasse (Vienna XII) and Engerthstrasse (Vienna XI) plants of Siemens-Schuckert had diminished. Only goods already contracted for were being delivered. Furthermore, there are approximately five million schillings' worth of finished goods stored in the two plants, which are apparently being withheld from the market for unknown reasons. Comment: Although the reason for withholding the goods has not been learned, it is probable that the decrease in manufacturing is due primarily to material shortages.

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5. Fine sheet metal (Dynamoblech) is also an item in short supply for the USIA electrical industry. Instead of the one hundred-ton allotment needed in January, only seven tons were delivered to the Engerthstrasse plant. This was traced to the failure of Alpine-Montan and the Vereinigte Oesterreichische Eisen- und Stahlwerke, Linz, to deliver a sufficient quantity of steel bars to the rolling mills of Schmidhuetten, Krems, which supplies sheet metal to USIA factories. Despite these shortages, Slavinsky, Soviet director of the Siemensstrasse plant told his sheet metal purchasing agent that, beginning March 1948, the output of heavy motors and generators must be doubled to reach one hundred. He admitted that he did not know where the necessary materials were to be procured, but insisted that this figure must be met nonetheless.
6. On 10 February 1948, a meeting took place in the main office of the USIA Food Industry Division at Vienna IV, Gussneustrasse 1, at which food price raises were discussed. Some commodities, such as soaps, were to be raised between 60 and 85%, and a general 12% increase was to be added to the present 45% customary mark-up which the USIA Food Industry Division passes on to its customers.

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